

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

August 28, 2012

Medicare Part D drug coverage assists individuals over the age of 65 with the high cost of prescription drugs. The Part D Retiree Drug Subsidy program (RDS) was designed to encourage employers to continue providing high quality prescription drug coverage to their retirees.

The Los Angeles County Employees' Retirement Association (LACERA) participates in the RDS Program. LACERA pays a percentage of the insurance premium for its retirees' health plans, which include drug coverage. The retired members buy the drugs and pay a small co-pay; the insurance company pays the rest. Under the RDS program, LACERA then submits claims to the Federal government, which reimburses the plan sponsor – in our case, the County, not LACERA – for a share of the cost.

In 2008, LACERA submitted claims for RDS reimbursement on 21,922 of its members, yielding a recovery of \$4,546,374 for the County, according to published statistics. That same year, the Los Angeles Unified School District submitted for slightly

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fewer members, but achieved a recovery in excess of \$12 million. In 2007, LACERA recovered \$218 per member for whom it requested reimbursement, while LAUSD recovered \$576. These statistics suggest that the County could be leaving as much as \$7 million “on the table” each year.

Under RDS rules, the County can seek recovery for prior-year costs going back several years; however, the “window” for recovery from 2007 will be closing soon. The Chief Executive Officer and LACERA should investigate this situation immediately and take whatever action is necessary to ensure that the County as plan sponsor is receiving all available recovery from Medicare Part D.

I, THEREFORE, MOVE that the Chief Executive Officer be instructed to work with LACERA to ensure that the County, as Plan Sponsor for LACERA’s retiree health plan, has received, and will continue to receive, the maximum possible cost recovery through Medicare’s Part D Retiree Drug Subsidy program.

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